

Message Text

CONFIDENTIAL

PAGE 01 KINSHA 05380 071604Z

ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07

PA-01 PRS-01 XMB-02 OPIC-03 /119 W

-----071956Z 099759 /64

R 071345Z JUN 77

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 3996

INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L KINSHASA 5380

DEPT PASS COMMERCE, EXIM, OPIC, TREASURY

E.O. 11652: GDS 12/31/83

TAGS: ENRG, EINV, CG

SUBJECT: GOZ "GREEN LIGHT" FOR NEW GULF PROPOSAL

REF: (A) STATE 122031 (NOTAL), (B) KINSHASA 2504, (C) KINSHASA 3301

(D) KINSHASA 3654 (NOTAL), (E) STATE 084895 (NOTAL)

1. AMBASSADOR VANCE (RET) ARRIVED IN KINSHASA LAST WEEK BEARING NEW PROPOSAL FROM GULF, AND HE WAS APPARENTLY SUCCESSFUL IN GAINING PRESIDENT MOBUTU'S ACCEPTANCE OF A REVISED CONCESSION AGREEMENT. AS A RESULT GOZ AUTHORITIES HAVE PROMISED TO ANNUL LAW 77-007 WHICH WOULD HAVE BEEN CONSIDERED A UNILATERAL BREAKING OF THE 1969 CONCESSION AGREEMENT. GOZ AND GULF JOINTLY PLAN TO HAVE THIRD AVENANT TO CONCESSION AGREEMENT PREPARED AND SIGNED BY JUNE 30.

2. PROPOSED REVISIONS INCLUDE: (A) INTRODUCTION OF A ROYALTY AT A RATE OF 12.5 PER CENT OF CRUDE OIL SALES REVENUE PAYABLE EITHER IN CASH OR OIL EQUIVALENT WITHIN 60 DAYS OF THE MONTH OF EXPORT. (B) AN IMPROVED PAYMENT SCHEDULE FOR INCOME TAXES
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINSHA 05380 071604Z

WHICH, HOWEVER, REMAINS AT PRESENT RATE OF 50 PER CENT. AS RESULT THE ACCELERATED PAYMENT SCHEDULE THE 12-1/2 PER CENT "PRELEVEMENT" BECAME SUPERFLUOUS AND IT WILL BE WITHDRAWN.

3. THE REVISIONS WERE DESIGNED TO MEET IMF OBJECTIONS TO PRESENT AGREEMENT AS WELL AS AVOID IMPEMETATION OF LAW 77-007 WHICH WOULD HAVE SAPPED INVESTOR CONFIDENCE IN

ZAIRE. ADDITIONALLY, REVISIONS AIMED AT ACCOMPLISHING FOLLOWING OBJECTIVES:

- INCREASED GOVERNMENT CASH FLOW, EQUAL TO REQUIREMENTS OF LAW 77-007 IN 1977, AND BETTER THAN LAW 77-007 AFTER 1977. (UNDER BOTH THE REVISION AND LAW 007 ZAIRE RECEIVES \$30 MILLION IN 1977 VERSUS \$9 MILLION UNDER PRESENT AGREEMENT.)
- A LARGER GOVERNMENT TAKE THAN PROVIDED FOR UNDER EITHER THE 1969 CONCESSION AGREEMENT OR LAW 77-007. (UNDER PROPOSED REVISION THE TOTAL PROJECTED FIVE-YEAR REVENUE WILL BE \$321 MILLION COMPARED TO \$239 MILLION UNDER LAW 007 AND \$255 MILLION UNDER PRESENT AGREEMENT.)
- PROVIDE THE COMPANIES WITH THE INCENTIVES NECESSARY TO UNDERTAKE THE MIBALE WATER INJECTION PROJECT.
- ENCOURAGE FURTHER EXPLORATION, WHEREIN LIES THE GREATEST LONG-TERM HOPE FOR INCREASED GOVERNMENT REVENUES.
- PROVIDE THE GOVERNMENT WITH INCREASED REVENUES AS CRUDE OIL PRICE INCREASES, A FACTOR NOT HANDLED BY LAW 77-007.
- AVOID THE COMPANIES HAVING TO PAY ADDITIONAL HOME COUNTRY TAXATION.

4. AMBASSADOR VANCE AND LOCAL GULF DIRECTOR TOM KING SPENT CONSIDERABLE PORTION REMAINDER OF WEEK NAILING DOWN UNDERSTANDING AND DETAILS OF REVISION AMONG SENIOR GOZ OFFICIALS. KING OPTIMISTIC THAT REVISIONS CAN BE KEPT ON TRACK TO SATISFACTION OF BOTH SIDES. THE REVISED AGREEMENT WILL BE EFFECTIVE AS OF JANUARY 1, 1977; HENCE, ACCORDING TO THE PROJECTED PAYMENT SCHEDULE, GOZ WILL BE IMMEDIATELY ELIGIBLE TO RECEIVE SOME \$10.5 MILLION.

WALKER
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KINSHA 05380 071604Z

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, PETROLEUM, NEGOTIATIONS, BUSINESS FIRMS, TAXES, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KINSHA05380
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770203-0001
Format: TEL
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770684/aaaacvfutel
Line Count: 97
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6ca0bf83-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 122031, 77 KINSHASA 2504, 77 KINSHASA 3301, 77 KINSHASA 3654, 77 STATE 84895
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2251738
Secure: OPEN
Status: NATIVE
Subject: GOZ "GREEN LIGHT" FOR NEW GULF PROPOSAL
TAGS: ENRG, EINV, CG, US, GULF OIL
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/6ca0bf83-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009